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Ms. Kelly Hammerle  
National Program Manager, BOEM  
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Sterling, VA 20166

Subject: Request for Information and Comments on the Preparation of the 2019-2024  
National Outer Continental Shelf Oil and Gas Leasing Program

Via Federal Rule Making Portal: <http://www.regulations.gov>. (Docket ID: BOEM-2017-0050)

Dear Ms. Hammerle:

BP Exploration & Production Inc. (BP) appreciates the opportunity to provide comments to the U.S. Department of the Interior, Bureau of Ocean Energy Management (BOEM), on the preparation of a new five-year National Outer Continental Shelf (OCS) Oil and Gas Leasing Program (Five-Year Plan).

BP supports the initiation of a new Five-Year Plan and welcomes this administration's commitment to "enhancing opportunities for energy exploration, leasing and development of the OCS." It is clear this administration recognizes the considerable benefits the U.S. gains from developing these energy resources, which include the jobs created and supported, the revenues generated for the Federal government and the states, and the significant contribution to the Nation's energy supply.

BP also supports the administration's "all-of-the-above" energy plan, which includes renewables, while recognizing the key role of oil and gas resources from the OCS in meeting the Nation's energy needs. Although renewables, together with nuclear and hydroelectric power, are expected to account for half of the growth in energy supplies over the next 20 years, fossil fuels are forecasted to remain the dominant sources of energy powering the world economy, accounting for more than three-quarters of total energy supplies in 2035. By supporting the development of multiple energy sources the U.S. ensures that it can withstand energy disruptions caused by market fluctuations and world events.

We project that the U.S. may become energy self-sufficient in 2023 and maintain its position as the world's largest liquids and natural gas producer. However, achieving the administration's "America First Energy Plan" will require increased production, additional investment and advances in technology. To support this agenda BP believes BOEM should not only expand access for exploration and production but should also provide lease and royalty flexibility in consideration of the economic and technological challenges faced in the OCS. The following comments highlight the opportunities to improve the current program and support the viability of exploring and developing the OCS' energy resources.

**New Five-Year Plan Should Include Additional OCS Planning Areas**

The current five-year leasing plan includes only portions of 4 of the 26 OCS planning areas. BP strongly urges BOEM to maintain the currently available planning areas in the new Five-Year Plan and supports opening additional OCS planning areas which show potential for future exploration and development. As explained by the American Petroleum Institute and the Alaska Oil and Gas Association, "anything less undermines the comprehensive process set forth in the OCS Lands Act and could have significant impacts on U.S. energy policy options well into the future."

BP agrees with BOEM's assessment that "portions of the Atlantic OCS may contain significant oil and gas resource potential" and fully supports BOEM's initiative to improve and modernize the current geological and geophysical data set over the area.

Developments in the Atlantic OCS will benefit from the industry's latest advances and innovations in deep water technology. These technology advancements in real-time and remote monitoring, subsea infrastructure, directional drilling, and seismic imaging, to name a few, have resulted in safer, more reliable operations, increased efficiency, and smaller development foot prints.

The decades of exploring and drilling in the Gulf of Mexico demonstrate compatibility and synergies can exist between the petroleum industry, tourism and fishing, which are vital to many coastal communities. For instance, government and state revenues generated by offshore oil and gas activities support the funding of coastal restoration programs, opportunities exist to use oil and gas structures for "rigs-to-reefs" which help support artificial reef planning, and increased activity results in the creation of local jobs and service industries.

BP strongly encourages BOEM to take the necessary steps to open the Atlantic OCS planning areas for safe and responsible exploration, development, and production. Given the vintage and limits of the current geological and geophysical data over the Atlantic OCS BOEM should allow enough time for the industry to acquire and interpret new seismic data. BP therefore supports including an Atlantics OCS lease sale in 2020 in the

new Five-Year Plan. Having a demonstrated commitment by BOEM to allow access to leases in the region is likely to encourage more industry participation and subscription to future seismic acquisition programs. This is especially important for the launch of a successful program in the current low-oil price environment where exploration opportunities across the globe are competing for limited funding.

For any newly opened areas, consideration should be given to expanding the lease sizes beyond the standard 5,760 acres currently utilized in the Gulf of Mexico and reducing the minimum bid amount to \$25/acre, the rate used during the early stages of leasing in the Gulf of Mexico.

BP continues to support the revenue sharing program implemented under the Gulf of Mexico Energy Security Act (GOMESA) and believes this would be an appropriate model for any future OCS planning areas available in the new Five-Year Plan. A revenue sharing program which shares the developmental benefits, from bonus bids to royalties, with coastal states that host OCS energy development off their coasts is fundamental to the success of a long-term OCS leasing and development program.

#### **Lease Terms Should Be Improved**

Much of the future development in the Gulf of Mexico will be in deeper, higher pressure, higher temperature and more complex prospects. In addition, future discovery sizes in more mature plays in the deep water Gulf of Mexico, such as the Miocene, are likely to diminish over time. Without relief, this trend creates economic challenges which could result in fewer of these prospects being developed. Exploration and development opportunities in newly accessible OCS planning areas will require additional investment in new data and modern infrastructure. In consideration of the economic and technological challenges faced in the deep water BOEM should consider providing relief and flexibility in the royalty rates and the lease terms.

The royalty rates for deep water leases should be rebased to 12.5%, aligning them with the federal leases onshore and in the shallow waters of the Shelf. In addition, BP strongly encourages BOEM to use its discretionary authority to create “win-win” royalty relief structures for marginally economic fields.

Technology development is key to progressing these new resources, and regulations need to allow reasonable time and space for those developments to progress. BP recommends returning to the 10-year primary license terms for all new deep water leases and granting longer lease extensions when the development of support technology is necessary to efficiently and commercially produce oil and gas from discovered high-pressure/high-temperature fields.

### **Future Lease Sales Can Be Improved**

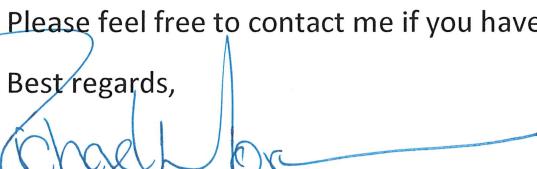
BP recommends removing the highly subjective bid adequacy tests and the Restricted Joint Bidder limitations from the lease sale process. The bid adequacy tests which rely on probabilistic cash flow simulation models and indeterminate assumptions do not guarantee receipt of fair market value and result in lost and delayed revenue for the Federal Government. True competition and market forces are the determining factors of fair value in an open bid process and should be allowed to work to create an efficient and transparent leasing program. The antiquated Restricted Joint Bidder limitations have run their course and paved the way for fair competition in the OCS. However, as natural partnerships have emerged over time around legacy acreage positions and assets, these limitations create unnecessary misalignment and barriers amongst long-term partners who would otherwise be in the best position to jointly explore and develop nearby prospects. Several companies have already signaled their exit from the deep water Gulf of Mexico as a result of the current economic challenges which has further limited the options for companies on the Restricted Joint Bidders list. The time has come to change these inefficient regulations.

The current 5-year leasing plan calls for up to two lease sales per year covering all the open planning areas within the Gulf of Mexico (GoM). BP supports BOEM hosting GoM-wide lease sales but suggests adjusting the cadence to one lease sale per year preferably in May. This will significantly improve the efficiency of the process and allow for better planning and communications, such as providing the Final Notice of Sale at least 60-days before the bids are due.

BP appreciates BOEM's efforts to solicit stakeholder input to this very important and vital process to successfully deliver the administration's "America First Energy Plan" and looks forward to reviewing BOEM's Draft Proposed Program. Thank you for considering these comments.

Please feel free to contact me if you have any questions.

Best regards,

  
Richard Morrison  
Regional President  
Gulf of Mexico

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